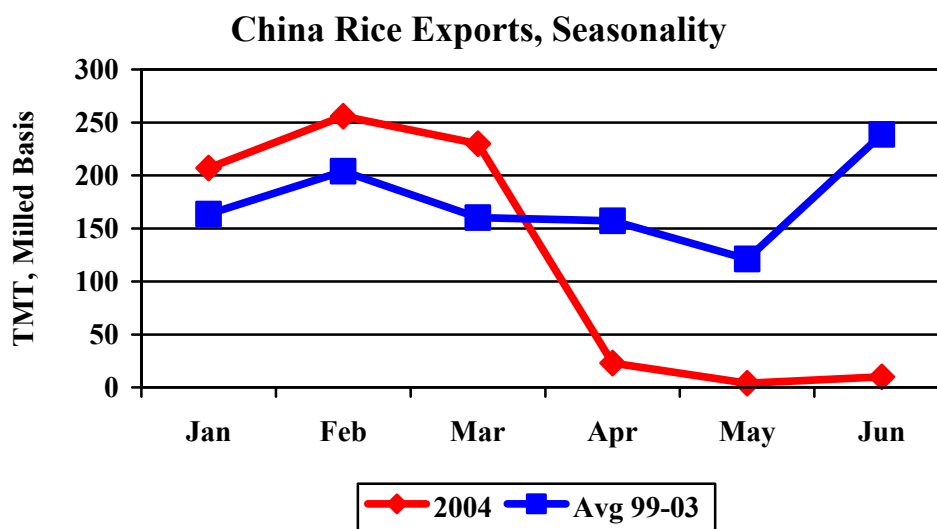
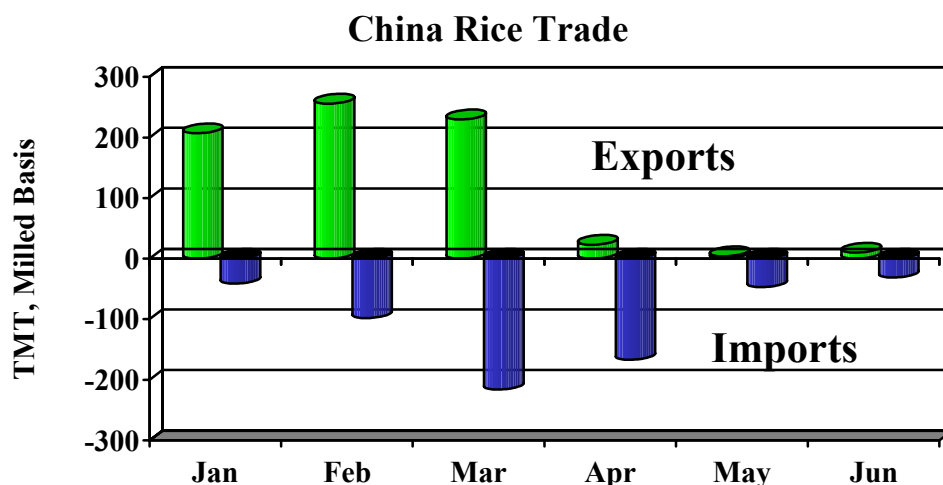

RICE: WORLD MARKETS AND TRADE

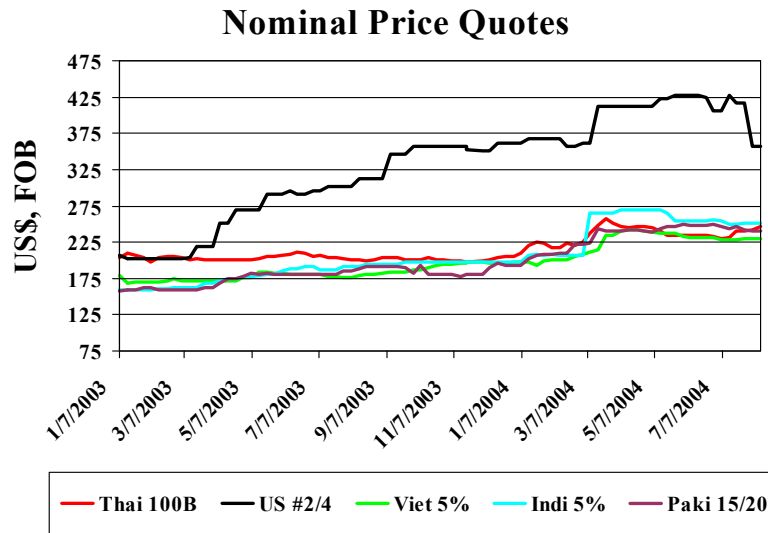
MONTHLY HIGHLIGHTS:

China Turns Inward? In the first quarter of 2004, Chinese exports followed a normal seasonal pattern. However, in the second quarter, locality problems and sharp increases in domestic prices prompted China to virtually halt exports and to simultaneously purchase regular white rice from neighboring exporters, Thailand and Vietnam. Since the sudden burst in March, imports have tapered off. Still, January-June 2004 import statistics show that China has imported approximately 600,000 tons of which only 15 percent is fragrant Thai jasmine rice. Meanwhile, exports have not picked up, perhaps in an attempt to prevent another run-up in prices. It seems that China has turned its focus to supplying the domestic market rather than the international market. Additionally, there has been significant area-response to the new government grain policy to expand production, which includes subsidized seed and fertilizer, as well as direct payments.



PRICES:

International: World prices surged this month as demand for parboiled and white rice drove prices for Thai 100B up \$16, with quotes currently at \$246 per ton, FOB. Viet prices have also strengthened despite the government policy limiting the signing of new contracts. Viet 5% is currently quoted at \$232 per ton, FOB, up \$4 from last month. India's 5% is down \$3 at \$252 per ton, FOB. India's 5% is down \$3 at \$252 per ton, FOB.



Domestic: U.S. #2/4 long grain milled rice is currently quoted at \$346 per ton, FOB, \$60 less than last month. The spread between U.S. and Thai prices has dramatically narrowed to \$100 per ton compared to \$176 last month. Prices for U.S. #1/4 medium grain milled rice from California are quoted at \$385 per ton, bulk, ex-spout Sacramento.

TRADE CHANGES IN 2005

Selected Exporters

- **United States** is dropped 200,000 tons to 3.4 million based on continued import restrictions by Turkey and less import demand in Latin America.
- **China** is down 200,000 tons to 1.0 million based on tight supplies.
- **Thailand** is boosted 500,000 tons to 8.5 million based on greater market opportunities in Africa and the Middle East.

Selected Importers

- **United States** is down 20,000 tons to 460,000 with higher supplies of medium and short grain rice.
- **Bangladesh** is raised 100,000 tons to 600,000 due to crop loss from flooding, which is expected to reduce production thereby increasing import demand.
- **Indonesia** is lowered 200,000 tons to 1.8 million because of sufficient stocks.
- Despite a larger crop forecast, **Philippines** is boosted 200,000 tons to 800,000 largely to maintain buffer stocks.

TRADE CHANGES IN 2004

Selected Exporters

- **China** is slashed 200,000 tons to 1.0 million as exports to major African and Asian markets drop off during the second quarter.
- **India** expands 300,000 tons to 2.8 million due to stronger-than-anticipated shipments to Bangladesh and Saudi Arabia.
- **Pakistan** is reduced by 100,000 tons to 1.8 million based on a slow export pace to date.

Selected Importers

- **United States** is increased 30,000 tons to 500,000 based on stronger-than-expected medium grain imports.
- **Bangladesh** is raised 100,000 tons to 600,000 based on stronger-than-anticipated imports, mainly from India, over the first half of the year.
- **North Korea** is up 200,000 tons to 500,000 with increased food aid donations from Japan, Russia, and South Korea.
- **Nigeria** drops 100,000 tons to 1.3 million as a result of the slow import pace to date.

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- **Philippines** is increased 100,000 tons to 1.0 million based on current purchases from the National Food Authority (NFA). NFA recently announced it would not purchase rice for the remainder of the year.

Turkey is cut 50,000 tons to 150,000 because of the slow pace to date due to continued restrictions on imports. In August 2003, the Turkish Ministry of Agriculture stopped issuing import licenses for rice due to large domestic supplies. In April 2004, the government replaced the outright ban on imports with an absorption agreement, which requires importers to purchase domestic rice in exchange for an import license for an equal amount.

